

Ship Clips - March 15, 2011

A compilation of articles concerning the
Shipbuilding Industry

From the Congressional Shipbuilding Caucus

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New Shipbuilding Plan Underfunded, CBO Says

While the U.S. Navy intends to cut

down on the number of ships it will purchase over the coming three decades, the service's updated shipbuilding plans will require more money to support the fleet, according to a recent analysis by the Congressional Budget Office (CBO).

CBO notes that the recent Navy 30-year shipbuilding report-issued in February and covering fiscal years 2011-40-contains "some significant changes in the Navy's long-term goals for shipbuilding."

The Navy now wants to buy about 20 fewer ships in the next three decades than it's been saying for the past few years.

Testifying March 9 before the House Armed Services Committee's Seapower and Projection Forces subcommittee, Eric Labs, CBO senior analyst for naval forces and weapons, said: "The new plan appears to increase the required size of the fleet compared with earlier plans, while reducing the number of ships to be purchased-and thus the costs for ship construction-over the next three decades."

Despite those reductions, Labs said, "the total costs of carrying out the 2011 plan would be much higher than the funding levels that the Navy has received in recent years." CBO's estimates of the costs of the 2011 shipbuilding plan are about 18% higher than the Navy's estimates overall. "Language in the 2011 shipbuilding plan and in related briefings by the Navy implies that the service's requirement for battle force ships . . . now totals 322 or 323-up from 313 in the Navy's three previous long-term plans," CBO notes.

The battle force fleet currently numbers 286 ships. The 2011 plan calls for buying a total of 276 ships over the 2011-40 period: 198 combat ships and 78 logistics and support ships. "That construction plan is insufficient to achieve a 322- or 323-ship fleet," CBO says. The previous shipbuilding plan (for 2009) envisioned buying 40 more combat ships and 20 fewer support ships over 30 years, CBO notes.

Under that plan, the Navy would have purchased 238 combat ships and 58 logistics and support ships between 2009 and 2038, for a total of 296.

"If the Navy receives the same amount of funding for ship construction in the next 30 years as it has over the past three decades-an average of about \$15 billion a year in 2010 dollars-it will not be able to afford all of the purchases in the 2011 plan," CBO says.

The Navy estimates that buying the new ships in the 2011 plan will cost an average of about \$16 billion per year, or a total of \$476 billion over 30 years, according to CBO-about 33% less than its estimate for the 2009 plan. Using its own models and assumptions, CBO estimates that the cost for new-ship construction under the 2011 plan will average about \$19 billion per year, or a total of \$569 billion through 2040.

"Including the expense of refueling

aircraft carriers as well as outfitting and post-delivery costs raises that average to about \$21 billion per year," CBO estimates. Those figures are about 25% lower than CBO's estimates of the Navy's 2009 plan.

(AVIATION WEEK 14 MAR 11) ... Michael Fabey

Navy Needs to Consider 'Ownership' Costs, Yard Official Says

For every dollar the Navy spends on buying a new ship, it pays an average of two dollars to operate and maintain the vessel throughout its 35-year service life. Those resulting "life cycle costs" are breaking the bank, say Navy officials.

At the root lies a perennial problem: officials who acquire naval weapon systems usually do not collaborate much, if at all, with those who service the platform during its lifecycle. When they buy a ship, they do so without giving much consideration to how much the service will have to pay to keep it running.

Shipbuilders say that bridging that disconnect could eliminate the problem and help them design better ships that ultimately require less maintenance down the road. "We haven't cracked the code on that one, but we're working it," said Kevin Graney, vice president of programs at General Dynamics NASSCO in San Diego.

The Navy in recent years has been grappling with how to fix the total ownership cost problem. It is caught between a rock and hard place because the way it encourages competition in an acquisition program is to close off dialogue with the shipyards. That means the shipbuilder is often left with making crucial choices about subsystems and components. "A lot of those decisions made by the shipbuilder may not be the right decisions, but because they can't communicate with the government customer during the competition phase, it becomes embedded in the design and is very difficult to reverse in later stages," said Graney.

He proposed that government officials follow what's done in the commercial sector, where owners and operators are picky about selecting equipment and subsystems that have proven their longevity and reliability. They are willing to foot higher up-front costs for those technologies with the knowledge that they will reap savings in the long term. "He can be very specific about what it is he wants in that ship," said Graney. "The reason he does that is

because he knows he's going to operate the ship for 30 years, and he knows that the brand-x diesel engine that he wants is going to stand the test of time. It's going to be a low-maintenance engine. It's going to be high quality. So he goes out and specifies that very early on in the process."

The government, however, tends to leave that critical decision up to the shipbuilder, who is motivated by profit. "I'll provide you the best engine you can afford, but it may not be the best choice for you long term. It may break down; it may not be a reliable engine ultimately. But unfortunately, that's the best we can afford based on the budget that we've been provided," said Graney.

He added: "It would be advantageous for the government and industry to get together early on to decide what specific equipment has the biggest impact to total ownership cost, and make informed decisions about that, rather than being forced by budgetary constraints to make poor choices and then pay over the life of a ship - 30 years in some cases - over and over again for that bad decision that was made early on."

Shipbuilders rarely have insight into what parts break down on the vessels they design and construct.

"Having access to that data and understanding where the Navy is spending their money on maintenance is somewhat eye opening for us as shipbuilders," he said. Sometimes yard officials do hear an anecdote from operators about how the ships and subsystems are performing.

"They'll come back and say, 'You gave me a hardened mild-steel piping system that rusts a lot and wears out. If you went with a copper-nickel system, it would've lasted longer and reduced my maintenance time over the life of the ship.' But unfortunately, the acquisition budget is such that the Navy cannot afford that higher costing system, even if they know it will save in long run," said Graney. More dialogue between all parties, and especially with industry, would go a long way in helping to control total ownership costs.

"Tell us what you want. We'll provide you an option, A or B. 'A' may cost \$2, 'B' may cost \$4, but option B, although it costs twice as much to acquire, will be half the cost to maintain over the 35-year ship life," said Graney. Shipbuilders do not want to forgo competition; in fact they think it can be advantageous for industry and government alike.

"Compete like hell early, but once that competition is over, open up the floodgates of communication between the government and industry to make a big impact on cost. It can be done," Graney said. That open communication took place on the Mobile Landing Platform program, a contract that NASSCO won in 2009 after Northrop Grumman Corp. withdrew from the competition. Shipyard officials interacted with the Navy often.

"Having the ability to do that was hugely beneficial," said Graney, who previously worked on submarines at General Dynamics Electric Boat in Groton, Conn. . "We moved much faster on that design more completely than any other design I've ever experienced." The Mobile Landing Platform is expected to begin construction this spring.

(NATIONAL DEFENSE MAGAZINE APRIL 20011) ... Grace V. Jean

L.A. Readies a Berth For Iowa

Mare Island is still in the running as a spot to berth the battleship USS Iowa, but a contending Los Angeles group says it is close to clinching the deal. Pacific Battleship Center representatives say they are already preparing a berth at the Port of Los Angeles for the USS Iowa and are moving forward in advance of the Navy's decision to award the ship.

"We are very confident in our application. We are extremely confident," center director of communications Ron Ploof said. Historic Ships Memorial at Pacific Square is vying to bring the famed World War II battleship to the Mare Island waterfront in Vallejo. The Pacific Battleship Center is working with the Port of Los Angeles and has completed site analysis and some design work covering such things as mooring and other issues required to move and berth the ship.

"We could sit back and let precious months go by and wait for an announcement, but we're just going to keep working as if we're going to get the award," Ploof said. The Navy's aim is to donate the ship as quickly as possible, said Pat Dolan, director of communications at Naval Sea Systems Command.

But when a decision will be made isn't known, Dolan said. The Navy last month requested more information from both organizations, giving them a May 31 deadline to submit a "final application," Dolan said.

"We're not on a definitive timeline," Dolan said.

The Iowa is now in the Suisun Bay Reserve Fleet just north of Benicia. The Navy re-opened bids to allow other groups to try to acquire the USS Iowa as a floating museum after informing the Vallejo group that it had not made enough progress in raising money to berth the ship. Dolan said Historic Ships Memorial at Pacific Square had not originally submitted a "viable application."

Although the Navy is not expected to make a decision on the fate of the IOWA until after June 1, the Los Angeles group said its goal is to use this interim time to prepare for a Los Angeles-based decision.

Historic Ships Memorial at Pacific Square could not be reached for comment.

(VALLEJO (CA) TIMES-HERALD 15 MAR 11)
... Sarah Rohrs

Shipbuilding Accounts Will Hit Tipping Point Without Future Topline Increases

Navy shipbuilding accounts will hit a tipping point when production begins to backslide over the next decade, unless the service can secure increases in future topline budget requests, senior Navy leaders told Congress this week.

The sea service is on track to hit a base fleet size of 313 ships over the next few years, with that number reaching closer to 325 in 2020, Navy acquisition executive Sean Stackley said at a March 9 hearing of the House Armed Services seapower subcommittee. That ramp-up, according to Stackley, will likely peak in the 2020 time frame but after that point shipbuilding numbers will begin to plateau and eventually drop off from that 325-ship high. While planned retirements of legacy ships will contribute to that decline, the introduction of the SSBN(X) submarine will have the biggest impact.

"It is such a substantial program that it really does suppress build rates during that period," Stackley said of the sub development effort. "We have a mid-term issue of having to, one, ensure that the Ohio replacement program does not escape in terms of cost, and...within our top-line work priorities and to the extent possible affordability to minimize the impact on the longer term. We don't hesitate to describe the concern and the impacts to meeting our requirements in the long-term associated with that."

The new submarine will replace the 14 Ohio-class boats currently in the fleet. The first of the expected 12 SSBN(X) subs will enter the service around 2029. Those procurements, along with the need to fill the gaps left by the retiring ships, will put Navy procurement in a precarious position, service secretary Ray Mabus said the same day.

"The issue will be is once we begin to build the SSBN(X) in the 2020s [and] with the retirement of so many ships that were built in the '80s--is how to bridge that gap," he told members of the House Appropriations defense subcommittee, "It's not a decision we have to make this year or even next year, but it will put a dent in the fleet in the mid 2020s if all the money that is used to build these SSBN-Xs come directly out of the Navy."

To help close that spending gap, Navy officials have been in talks with the Defense Department leadership on a plan to marginally increase the service's topline spending figure for shipbuilding by \$2 billion annually, beginning in 2020, to support the SSBN(X) and other recapitalization priorities, Stackley said.

Service officials are already working to trim costs on SSBN(X) production, taking lessons learned from the development of the Virginia-class submarine and applying them to the SSBN(X) program, Vice Adm. John Blake, deputy chief of naval operations for integration of capabilities and resources, said at the House seapower subpanel alongside Stackley.

"We specifically looked at not only their...hull maintenance and engineering, but also their combat systems suite" on the Virginia class "and we leveraged off those programs in order to apply them to the SSBN(X)," he said.

Moreover, Blake noted work on the SSBN(X) was well ahead of the Virginia and Seawolf class subs when those boats were at the same level of development. As a result, program officials have been able to shave nearly \$1 billion per ship.

"So when you take all those factors into effect, I think what you see is that we think we are in a good place when it comes to both the cost and scheduling, and to deliver that ship, because there is no alternative," Blake said.

Issues over escalating costs for the submarine's development have caused concern on Capitol Hill. Last September, Pentagon acquisition chief Ash Carter personally assured lawmakers that DoD was taking steps to pare down the program's price tag (Defense Daily, Sept. 30, 2010). At a hearing of the House Armed Services Committee (HASC), Carter said Navy and Pentagon efforts to trim development costs on SSBN(X) were well underway.

"It's more a question of 'how' than 'whether,'" he said at the time. "On the other hand, if you don't get the 'how' right you're going to get the 'whether' wrong....So, we don't want to get ourselves in a situation with SSBN(X) where we design a submarine that we know we don't be able to afford."

(DEFENSE DAILY 11 MAR 11) ... Carlo Munoz

Navy Budget- \$100M For Portsmouth Shipyard Projects

Sen. Susan Collins, R-Maine, has confirmed that Chief of Naval Operations Adm. Gary Roughead has committed to spend approximately \$100 million in facility modernization and repair projects at the Portsmouth Naval Shipyard in fiscal year 2012.

According to a breakdown provided by Collins' office, the shipyard will receive the funds for energy conservation and repairs to submarine enclosures, building renovations, repair to the waterfront support facility and structural repair and consolidation of the yard workshops.

"This is wonderful news not only for the dedicated men and women who work at the Portsmouth Naval Shipyard, and their families, but also for the economy of the greater York County region," Collins said. "This will improve the safety and efficiency of the terrific workforce that keeps our Nation's nuclear submarines ready for sea every day."

The Navy's move comes four months after the U.S. General Accountability Office issued a report that the Navy has a \$3 billion backlog in modernization projects at the nation's four shipyards, includes \$513 million in projects at PNSY alone. But in recent months, the White House and the Navy has indicated an interest in including funding for the shipyards.

On Tuesday, Roughead was questioned by Collins and Sens. Jeanne Shaheen and Kelly Ayotte of New Hampshire about funding for construction work at the shipyard, when he was speaking before the Senate Armed Services Committee. All three senators are members of the committee.

"We do look at the shipyards, and in fact even though there is what is considered a backlog of maintenance, we are investing above the percentage that's required by Congress to a certain degree," Roughead said. "But I'm always looking at projects, individual ones, to your point, that can - that if we pay a little bit today -maybe we can gain in productivity later on, and we're always looking at that."

That increased emphasis on the shipyard is mirrored in comments made in a letter to Collins, Shaheen and Sen. Olympia Snowe of Maine by Jacob Lew, the director of the White House Office of Management and Budget.

"The administration will continue to support maintaining and modernizing our four public shipyards and will make prioritized investments on a targeted basis across the four shipyards," he said. "The recent commencement of overhaul work on the USS Virginia, the lead ship in her class, at Portsmouth

demonstrates the administration's strong commitment to the future of the shipyard and to the community."

Collins' office makes clear that, like all programs, the actual execution of these projects will be based upon the Navy's eventual budget for fiscal year 2011 and the authorization and appropriation of funds in fiscal year 2012. The Navy has been operating under a Continuing Resolution since last October. Collins said Thursday she is delighted to be able to announce this funding to the yard.

"I have strongly advocated for the Navy to reverse this trend and accelerate military construction and facility modernization projects at the yard," said Collins, who had a private meeting with Roughead about the shipyard during his visit to Maine last month.

"I am pleased that the Navy recognizes the critical need for these investments at the shipyard. As a member of both the Armed Services Committee and the Defense Appropriations Subcommittee, I will work tirelessly to help ensure the Navy receives the funding it needs to execute these programs," she said.

(PORTSMOUTH HERALD (NH) 10 MAR 11) ... Deborah McDermott